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FOR PEACE CORPS, USAID

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SUBJECT: BAGUIO WELCOMES US AID, INVESTMENT, AND INTEREST DURING
AMBASSADOR'S VISIT

REF: MANILA 4954

¶1. SUMMARY: The signing of a USAID-funded healthcare grant and a speech at the Philippine Military Academy (PMA) anchored the Ambassador's fourth visit to Baguio, the former summer capital of the Philippines under U.S. administration. Visits to a local American company and conversations with local leaders emphasized Baguio's importance as a commercial, educational and military hub for the Philippines, but also highlighted common local concerns about unchecked growth and infrastructure strain. END SUMMARY.

¶2. The Ambassador visited Baguio December 8-9, returning to the former summer capital of the Philippines during American government. Baguio remains the Philippine Presidential retreat, and its plethora of universities and corporations ensures that Baguio, now a city of 300,000 people, is a frequent stop for Filipinos from all segments of society. The surrounding province of Benguet is the agricultural pantry for metropolitan Manila and an important mining area; Baguio is the administrative capital for the Cordillera Administrative Region, home to many indigenous tribes. The Embassy maintains a facility in Baguio, and USG involvement centers on frequent visits to PMA, Peace Corps volunteers working in education, and USAID assistance, primarily focused on health care and environmental protection. The Embassy has also created American Corners in the Baguio City Public Library and the PMA library, and an American Studies Resource Center at St. Louis University, and frequently sends visiting speakers to those institutions. American companies, including Texas Instruments (see para 7) and Moog Controls, have taken advantage of the educated workforce and the special export processing zones to locate high-quality manufacturing centers in Baguio.

CONTINUED USG SUPPORT FOR SOCIAL SERVICES

¶3. The Ambassador kicked off her visit December 8 by witnessing the signing of a 3.6 million peso (approximately USD 72,800) grant from USAID's Private Sector Mobilization for Family Health (PRISM) project to two Baguio grantees, the Baguio Center for Young Adults (BCYA) and the Jaime V. Ongpin Foundation, Inc. (JVOFI). The two grantees will use the funding to help ten Baguio companies set up workplace health programs focusing on maternal, child and family health, and provide micro-finance services to 50 midwives to expand their practices and educate clients in family and reproductive health. The grant signing continued USAID support for both BCYA and JVOFI; BCYA was founded in 1985 by a USAID grant, and JVOFI transitioned from a corporate-funded institution to a private foundation with the assistance of USAID funding.

TURBULENT POLITICS AND GROWING PAINS

14. In a December 8 meeting, Baguio Bishop Carlito Cenzone described for the Ambassador the one-year suspension of the mayor in June 2006 for advocating a citizen rebellion against a for-profit pay-for-parking scheme that was embroiled in accusations of corruption. The acting mayor, Cenzone observed, was honest but "too young" to accomplish anything in the year he will serve in office. Cenzone outlined a role for himself as the "honest broker" who can mediate between feuding local parties, hewing to a traditional role for the Filipino clergy.

15. Cenzone noted that the Catholic Bishops' Conference of the Philippines (CBCP) had charged all Bishops with rallying their flocks against the proposed constituent assembly to revise the Philippine Constitution (reftel). Cenzone said that he had planned a prayer rally, but worried that other protestors might be more "violent." Cenzone's most pressing concerns were the general apathy among citizens to get involved in civic life, unemployment, and a growing black market economy, which he blamed on recent Muslim immigrants to the region.

16. Finally, Cenzone noted that Baguio City had just kicked off its 1000-day centennial celebration, to culminate in 2009, and suggested that the USG should participate in (and possibly help fund) the festivities in light of US involvement in Baguio's founding. Guests at the Ambassador's residence for dinner on December 8, including Congressman Mauricio Domogan and Acting Mayor Reinaldo Bautista Jr. seconded the Bishop's request for Embassy participation in the centennial celebrations, and confirmed his observation that unemployment was a pressing issue. Environmental degradation, overpopulation, and inadequate infrastructure rounded out their top concerns for Baguio residents. The local leaders and businesspeople present suggested increased Consular outreach in Baguio to demystify the visa process and facilitate business and educational travel to

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the United States.

US FIRMS FIND BAGUIO IDEAL FOR BUSINESS

17. The management of Texas Instruments (Philippines), Inc. (TIPI) briefed the Ambassador on their Baguio operations and showed her TIPI's USD 1 billion semiconductor manufacturing facility in the Philippine Export Zone Authority (PEZA) located in Baguio. TIPI employs approximately 2,300 local employees (counting only three expatriate Americans among its staff), and has become the Philippines' largest exporter, with a 2005 export value of USD 2.9 billion. TIPI management noted that the high education levels and good English skills of local employees, and the low-tax regime in the PEZA, help make TIPI the highest-productivity overseas plant for Texas Instruments. TIPI officials stated that they had no problems to report, and are currently expanding their manufacturing facilities to fully utilize the available space in the PEZA. Steven Leece, the Managing Director of Moog Controls Corp. Philippines, attending the Ambassador's dinner on December 8, echoed TI's satisfaction with its location in the Philippines, noting that Moog hopes to double its facilities in the PEZA in the coming year.

EAGER MEDIA COVERAGE

18. The Ambassador taped a television interview with ABS-CBN News on December 8 and visited DZWX Bombo Radyo on December 9 for a live interview. In both interviews, the Ambassador highlighted the strong relationship between the two nations, USG assistance to Baguio and the surrounding region through Peace Corps and USAID projects, and the employment benefits of American companies in the area. The interviewers reiterated local interest in USG participation in Baguio's centennial celebrations, and discussed the ongoing controversy over the continued detention of a U.S. Marine in a Philippine prison in violation of the U.S.-Philippines Visiting Forces Agreement (VFA). During media interactions at the Ambassador's public events, the Ambassador expressed hope that the

Marine would be returned to U.S. military custody at the American Embassy, consistent with GRP and USG agreement on this issue.

TROOPING THE LINE AT PHILIPPINE MILITARY ACADEMY

¶9. Philippine Military Academy Superintendent MGEN Leopoldo Maligalig and PMA staff briefed the Ambassador on December 9 about ongoing reforms to modernize PMA's curriculum and facilities to better prepare Cadets for leadership roles in the Armed Forces of the Philippines (AFP). Maligalig said that AFP reform efforts, strongly supported by JUSMAG Philippines, can "only go up," and that all PMA staff have adopted as a joint vision the ten-year Philippine Defense Reform roadmap signed last year by the Defense Secretary. Maligalig observed that he was drawing heavily on practices and curriculum of the United States Military Academy and the United States Naval Academy, adding that joint training and educational exchanges with US military institutions have been crucial to his reform efforts.

¶10. Following the briefing and tour, PMA hosted the Ambassador as its Honored Guest at the end-of-term Cadet parade, and she addressed the Cadets and media at a formal speech following the parade. In her remarks, the Ambassador emphasized the vital role of the AFP in meeting terrorist, natural disaster, disease, and community-building challenges in the Philippines, and exhorted the Cadets to fulfill their roles as military leaders honorably under a constitutional system of civilian control.

KENNEY